

Merchant Fees

How should merchant fees be treated on the Government credit (purchase) card?
Below are some frequently asked questions (with answers!) to help guide you.

Are merchant fees an allowable cost?

Yes.

Should merchant fees be treated as direct or indirect costs?

As long as a contractor is consistent and the results are equitable, the costs could be accounted for as a direct or an indirect charge. If the contractor wants to charge direct, the contractor must be consistent—i.e., always charge direct. Conversely, if a contractor wants to charge fees indirect and does this consistently, and there is no material impact on other contracts, that is fine also. Bottom-line, the fees are allowable and the Defense Contract Audit Agency is flexible on how they are accounted for—providing there is consistency and equity. For specific guidance, see FAR 31.202, FAR 31.202(b), and FAR 31.203.

What should the ACO do if the contractor wants to charge merchant fees direct but the customer is unwilling to agree to this?

This must be handled on a case-by-case basis depending on the circumstances involved. Some considerations would include contract type, contract terms and conditions regarding method of payment, whether the situation involves a new award or modifying an existing contract, and other options for sources of supply available to the Government.

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